

DIRECT TESTIMONY OF
ROSE M. JACKSON
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2012-218-E

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Rose M. Jackson, and my business address is 1400 Lady Street,
3 Columbia, South Carolina 29201.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

5 A. I am employed by SCANA Services, Inc. (“SCANA Services”) as General
6 Manager, Supply and Asset Management.

7 **Q. PLEASE DESCRIBE YOUR DUTIES RELATED TO NATURAL GAS AND**
8 **NUCLEAR FUEL PROCUREMENT FOR ELECTRIC GENERATION IN**
9 **YOUR CURRENT POSITION.**

10 A. I am responsible for managing the department that provides natural gas and
11 uranium procurement services for the generating facilities operated by South
12 Carolina Electric & Gas (“SCE&G”). With regard to natural gas, these
13 responsibilities include procurement of natural gas supply and capacity;
14 nominations and scheduling; gas accounting; and state and federal regulatory
15 issues related to supply, capacity, and asset management. With regard to nuclear

1 fuel procurement, these responsibilities include procurement of natural uranium
2 and conversion services.

3 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
4 **WORK EXPERIENCE.**

5 A. I graduated from the University of South Carolina in 1988 with a Bachelor
6 of Science degree in Accounting. Following graduation, I worked for
7 approximately three (3) years as an accountant for a national security services
8 firm. In 1992, I began my employment with SCANA as an accountant. Over the
9 years, I have held varying positions of increasing responsibility related to gas
10 procurement, interstate pipeline and local distribution company scheduling, and
11 preparation of gas accounting information. In May 2002, I became Manager of
12 Operations and Gas Accounting with SCANA Services where I was responsible
13 for gas scheduling on interstate pipelines and gas accounting for all SCANA
14 subsidiaries. In November 2003, I became Fuels Planning Manager where I
15 assisted all SCANA subsidiaries with strategic planning and special projects
16 associated with natural gas. I held this position until promoted to my current
17 position in December 2005.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
19 **COMMISSION?**

20 A. Yes, I have testified before this Commission on several occasions. I have
21 also testified before the Georgia Public Service Commission and the North
22 Carolina Utilities Commission.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. The purpose of my direct testimony is to offer testimony in support of
4 SCE&G's request for approval to make a mid-period reduction in its base rates for
5 fuel to reduce the fuel factor for electric service. In my testimony, I explain the
6 state of natural gas prices and supply over the past six months, and discuss the
7 industry's projections of natural gas prices and supply for the next six months and
8 the near term.

9 **Q. DURING THE COMPANY'S 2012 FUEL ADJUSTMENT PROCEEDING,**
10 **DID THE COMPANY UPDATE THE COMMISSION ON RECENT**
11 **NATURAL GAS PRICES?**

12 A. Yes. As I testified to the Commission, 2011 began with natural gas prices
13 at approximately \$4.65 per thousand British thermal units ("MMBtu") as cold
14 weather boosted demand and prices at the end of 2010. Moderate February
15 weather caused prices to dip to \$3.73 per MMBtu. Higher than normal nuclear
16 power plant outages across the nation spurred unusually high spring demand
17 resulting in the market peaking for the year at \$4.98 per MMBtu in early June
18 2011. During the remaining half of the year, prices were less volatile and trended
19 down. The combination of a hurricane season that did not interrupt supply
20 channels, mild temperatures, high storage levels, and strong production led prices
21 to their lowest point of the year at \$2.96 per MMBtu on the year's final day.

1 At the time, the near term forecast indicated that natural gas prices would
2 likely remain fairly flat due to domestic production from shale supply. However,
3 the Company noted that short term price volatility could result from dramatic
4 changes in either supply or demand components. The fundamental factors likely
5 to drive changes include, but are not limited to, weather, increases in consumption
6 associated with an economic recovery, increases in supplies from shale
7 production, changes in storage inventory levels, and/or constraints in pipeline
8 capacity.

9 **Q. SINCE THE COMPANY’S 2012 FUEL ADJUSTMENT PROCEEDING,**
10 **HAS THE FORECAST FOR NATURAL GAS PRICES CHANGED?**

11 A. Yes, since April 2012, natural gas prices have continued to trade near or
12 below \$3.00 per MMBtu. Natural gas prices reached their lowest point for the
13 year at \$1.90 per MMBtu on April 19th and 20th. Natural gas is currently trading at
14 its high point for the year of approximately \$3.30. On average, natural gas prices
15 have traded below \$3.00 per MMBtu in 2012. If this trend continues, the 2012
16 average price for natural gas will be the lowest experienced since 1999.

17 Many industry analysts anticipate that natural gas prices will remain at
18 these lower levels in the near term. As depicted in Exhibit No. ____ (RMJ-1)
19 attached hereto, the United States Energy Information Administration (“EIA”)
20 “expects the Henry Hub natural gas price will average \$2.67 per MMBtu in 2012,
21 with prices remaining below \$3.00 per MMBtu until December. EIA expects

1 2013 prices will average \$3.34 per MMBtu.”¹ However, a word of caution is in
2 order. As reflected by Exhibit No. __ (RMJ-1), the short term outlook could
3 experience very volatile prices ranging from about \$2.00 per MMBtu on the low
4 end to approximately \$8.00 per MMBtu on the high end due to the potential for
5 similar dramatic changes to supply and demand as I previously described.

6 **Q. DO THESE RELATIVELY STABLE PROJECTED NATURAL GAS**
7 **PRICES SUPPORT REDUCING THE COMPANY’S FUEL FACTOR FOR**
8 **ELECTRIC SERVICE IN THIS RATE PROCEEDING?**

9 A. Yes. Relatively stable natural gas prices make it reasonable for the
10 Company to seek to mitigate to its customers the impact of a rate adjustment in
11 electric base rates. On behalf of SCE&G, I therefore respectfully request that the
12 reduction in SCE&G’s electric fuel factor as testified to by Mr. Hendrix be
13 approved to be effective simultaneously with approval of the rate adjustments
14 requested by the Company in this docket.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

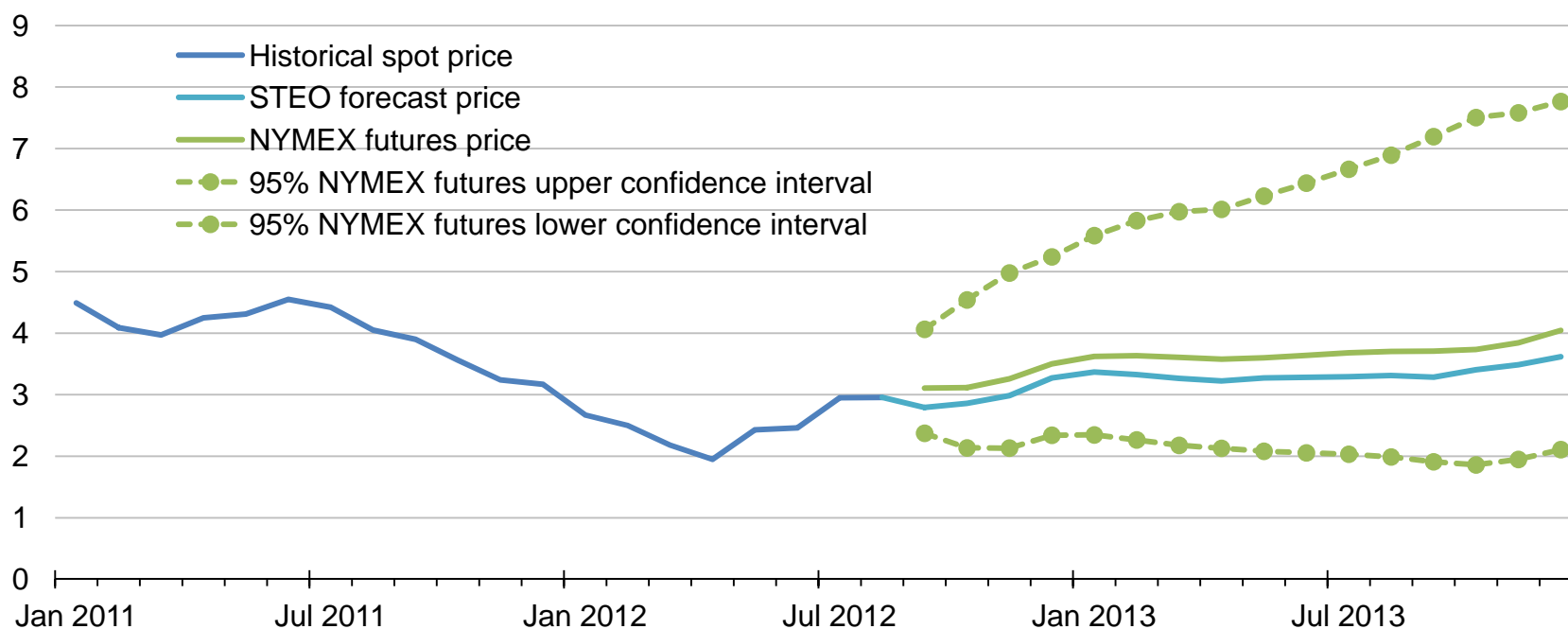
16 A. Yes.
17

¹ *Short-Term Energy Outlook* (U.S. Energy Information Administration), August 2012, at 10.

Natural Gas Price Forecast

Henry Hub Natural Gas Price

dollars per million btu



Note: Confidence interval derived from options market information for the 5 trading days ending August 2, 2012. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, August 2012

